

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 L-03 FRB-03
OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02
SIL-01 STR-07 TRSE-00 CEA-01 SS-15 AF-10 ARA-10
NEA-10 /135 W

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P R 230222Z FEB 78

FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 5475
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS

C O N F I D E N T I A L TOKYO 2892

USEEC

USOECD ALSO FOR EMBASSY

DEPARTMENT PASS TREASURY

E.O. 11652: GDS
TAGS: EFIN, UNCTAD, JA
SUBJECT: MOF REQUEST FOR U.S. VIEWS ON UNCTAD COMPROMISE PROPOSAL ON
DEBT QUESTION

1. SUMMARY. MINISTRY OF FINANCE (MOF) REQUESTS USG VIEWS
ON INFORMAL PROPOSAL BY UNCTAD SECRETARIAT TO COMPROMISE
DIFFERENCES BETWEEN G-77 AND GROUP B COUNTRIES OVER DEBT
QUESTION. MOF OFFICIALS VIEW THE PROPOSAL AS INCONSISTENT
WITH THE DISTINCTION BETWEEN DEBT RELIEF AND ECONOMIC AID
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AND REQUEST U.S. VIEWS. END SUMMARY.

2. IN MEETING WITH EMBOFF FEB 22, USHIDA, DEPUTY DIRECTOR,
OVERSEAS PUBLIC INVESTMENT DIV, MOF, SAID THAT ARSENIS OF
THE UNCTAD SECRETARIAT, IN COURSE OF VISIT TO TOKYO ON
MONDAY, FEB 20, HAD INFORMALLY SUGGESTED A POSSIBLE
COMPROMISE ON THE LDC DEBT QUESTION. USHIDA SUMMARIZED

ARSENIS' THINKING AS FOLLOWS: (1) THE CENTRAL ISSUE OF THE COMING TDB MEETING WILL BE THE PROBLEM OF ODA ACCUMULATED IN DEVELOPING COUNTRIES; (2) A COMPROMISE SHOULD BE REACHED ON THIS PROBLEM BETWEEN THE G-77 AND THE GROUP B DEVELOPED COUNTRIES IN WHICH THE DEVELOPED COUNTRIES WOULD COMMIT THEMSELVES TO INCREASING THEIR NET TRANSFER OF RESOURCES TO POORER DEVELOPING COUNTRIES; (3) SUCH COMMITMENT WOULD IN PRINCIPLE TAKE THE FORM OF REORGANIZING THE PAST DEBT OF THOSE POORER DEVELOPING COUNTRIES WHILE THE MODALITY OF DEBT RELIEF WOULD BE SUBJECT TO DONOR COUNTRIES' DISCRETION; (4) THE DONOR COUNTRIES COULD EXCEPTIONALLY GIVE PROGRAM AID AND IMPORT SUPPORT INSTEAD OF DEBT RELIEF IF THE RECIPIENT COUNTRIES SO REQUESTED; (5) THE DISTRIBUTION OF BENEFITS ARISING FROM SUCH REMEDIAL MEASURES AMONG RECIPIENT COUNTRIES WOULD ALSO BE SUBJECT TO DONOR COUNTRIES DISCRETION; (6) THE MAGNITUDE OF THE CONCESSIONAL ELEMENT EMBODIED IN EACH DONOR COUNTRY'S PLEDGE WOULD BE THE EQUIVALENT AMOUNT OF THE DIFFERENCE BETWEEN THE OVERALL AVERAGE TERMS OF BILATERAL ODA AMONG DAC COUNTRIES (OR BETWEEN IDA TERMS) AND EACH COUNTRY'S TERMS APPLIED TO OUTSTANDING DEBT OF POORER DEVELOPING COUNTRIES.

3. USHIDA ASKED FOR THE REACTION OF THE USG TO THE NEW UNCTAD SECT PROPOSAL. HE PRESSED AS TO WHETHER, TAKING THE NEW UNCTAD SECT PROPOSAL INTO FULL CONSIDERATION,

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THERE WAS ANY POSSIBILITY THAT THE USG WOULD CHANGE ITS POLICY STANCE TOWARDS THE DEBT RELIEF PROBLEM AND SPECIFICALLY ASKED WHETHER THE USG WOULD CONTINUE TO INSIST THROUGHOUT THE COMING TDB MEETING ON THKRO QJPJEC# PROPOSALS

AS THE FINAL POSITION WITH NO ROOM FOR COMPROMISE.

4. USHIDA SAID THAT IN THE JAPANESE VIEW THE NEW UNCTAD SECT PROPOSAL WAS NOT COMPATIBLE WITH US/EEC PROPOSALS SUBMITTED TO CIEC FIRSTLY BECAUSE IT PRINCIPALLY REQUESTS DONOR COUNTRIES TO REORGANIZE THE DEBT OF POORER DEVELOPING COUNTRIES WITHOUT ANY EXAMINATION BY THE APPROPRIATE INTERNATIONAL INSTITUTION, RATHER THAN TO TAKE SUCH MEASURES AS PROGRAM AID AND OTHER FLEXIBLE FORMS OF QUICKLY DISBURSABLE AID, AND SECONDLY BECAUSE IT ASKS DONOR COUNTRIES TO PLEDGE THE QUANTITATIVE COMMITMENT OF GRANT EQUIVALENT.

5. USHIDA SAID THE CURRENT STANCE OF THE MOF WAS TO OPPOSE COMPROMISING WITH THE UNCTAD PROPOSAL. MOF HAD NOT CHANGED ITS POLICY TOWARD THE DEBT RELIEF PROBLEM. JAPAN WILL CONTINUE TO SUPPORT US/EEC PROPOSALS, AS THAT POLICY WAS

DECLARED IN CIEC. MORE CONCRETELY, CONCERNING THE SPECIAL MEASURE FOR LDC'S, JAPAN BELIEVES IT MOST IMPORTANT TO IMPLEMENT THE SPECIAL ACTION PLEDGED IN THE CIEC AND FOR JAPAN TO ENDEAVOR AT LEAST TO DOUBLE ITS OVERSEAS DEVELOPMENT ASSISTANCE WITHIN FIVE YEARS TIME. JAPAN DOES NOT AGREE WITH THE UNCTAD PROPOSAL BECAUSE IT MIXES DEBT RELIEF WITH ECONOMIC AID, WHICH THEY DISTINGUISH CLEARLY. USHIDA SAID JAPAN BELIEVES DEBT REORGANIZATION IS THE LAST RESORT.

5. ACTION REQUESTED. MOF WOULD APPRECIATE ANSWERS TO QUESTIONS IN PARA 3 AS SOON AS POSSIBLE. USHIDA NOTED THERE WILL BE A MEETING ON MARCH 3 AND 4 PRIOR TO THE TDB MEETING MARCH 6-10 AT WHICH THE DEVELOPED COUNTRIES WILL

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INFORMALLY DISCUSS THEIR POSITION FOR THE TDB MEETINGS. THEY WOULD HOPE TO HAVE AN ANSWER FROM THE U.S. PRIOR TO THE MARCH 3-4 MEETINGS.

MANSFIELD

NOTE BY OC/T: #AS RECEIVED.

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